



## ANNUAL USE OF CAPITAL SURVEY - 2009

## NAME OF INSTITUTION

(Include Holding Company Where Applicable)

First Resource Bank

Person to be contacted regarding this report:	Lauren Ranalli
CPP Funds Received:	\$5,017,000
CPP Funds Repaid to Date:	\$0
Date Funded (first funding):	1/30/2009
Date Repaid <sup>1</sup> :	

RSSD: (For Bank Holding Companies)	
Holding Company Docket Number: (For Thrift Holding Companies)	
FDIC Certificate Number: (For Depository Institutions)	57967
City:	Exton
State:	Pennsylvania

<sup>1</sup>If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP). To answer that question, Treasury is seeking responses that describe generally how the CPP investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP investment was deployed or how many CPP dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP funds were outstanding).

<input checked="" type="checkbox"/>	Increase lending or reduce lending less than otherwise would have occurred.	Due to regulatory capital constraints, the Bank was at a point where it could accommodate very little loan growth. With the support of the CPP funds, total loans grew 9.4% from \$94.8 million at 12/31/08 to \$103.7 million at 12/31/09.
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<input checked="" type="checkbox"/>	To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).	During 2009 we financed numerous investor real estate purchases as rehabilitations of foreclosed properties to get them back on the rental and tax rolls.
<input checked="" type="checkbox"/>	Increase securities purchased (ABS, MBS, etc.).	Due to historically high levels of liquidity at the Bank as well as the need to pay for the CPP dividends, we purchased U.S. government agency securities and a small amount of GNMA mortgage backed securities. Total investments grew from \$4.0 million at 12/31/08 to \$14.4 million at 12/31/09
<input type="checkbox"/>	Make other investments	
<input checked="" type="checkbox"/>	Increase reserves for non-performing assets	We were not immune from the credit quality deterioration that affected most banks. The ratio of the allowance for loan losses to nonperforming assets increased from 29.3% at 12/31/08 to 57.1% at 12/31/09.

<input type="checkbox"/>	Reduce borrowings	
<input type="checkbox"/>	Increase charge-offs	
<input type="checkbox"/>	Purchase another financial institution or purchase assets from another financial institution	
<input checked="" type="checkbox"/>	Held as non-leveraged increase to total capital	We have increased our capital levels significantly to ensure adequate cushion in the event that credit quality does not improve or worsens. It has always been our policy to remain well capitalized at all times.

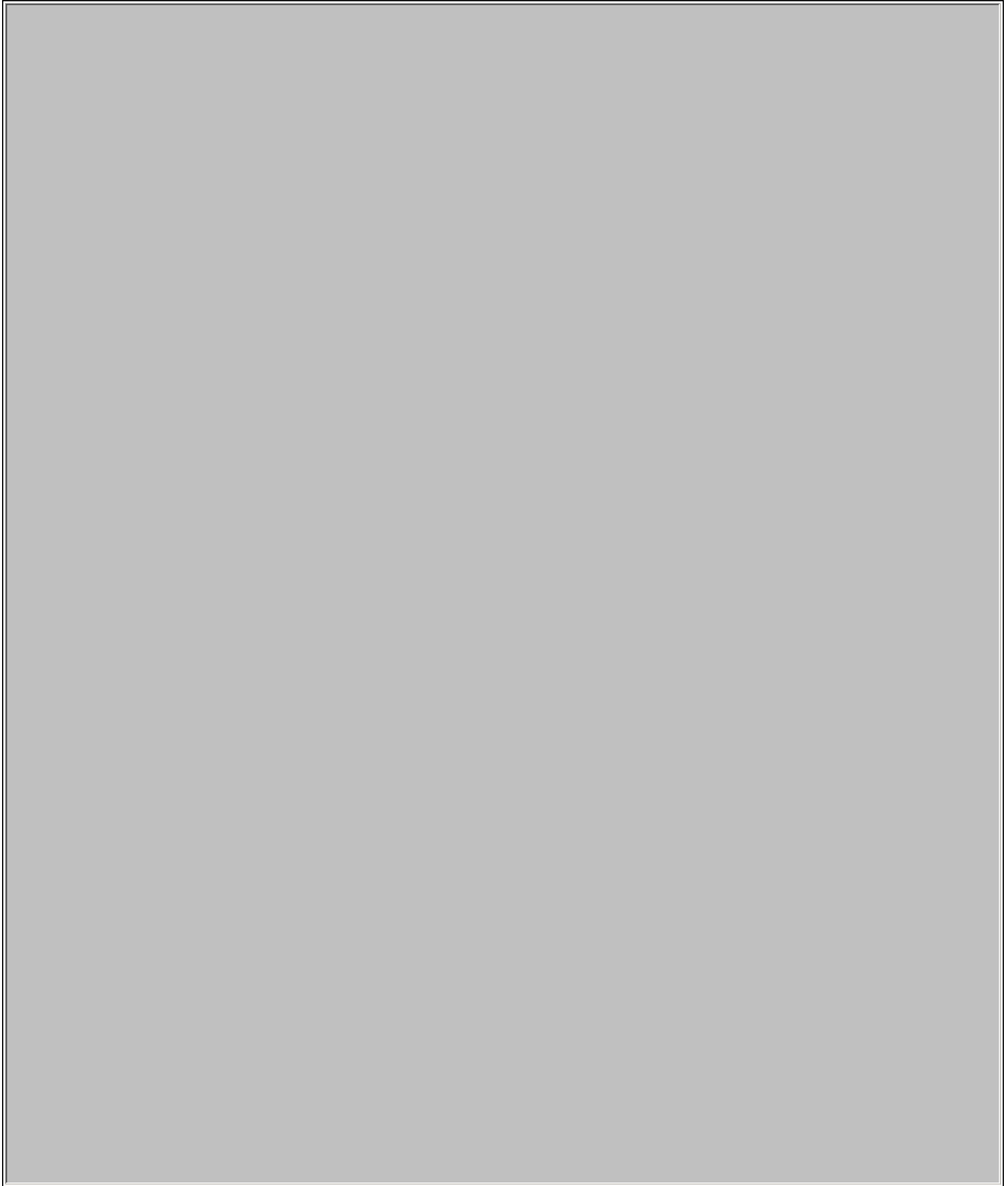
What actions were you able to avoid because of the capital infusion of CPP funds?

The primary benefit of the CPP funds was that it gave us the ability to continue to lend at a time when the capital markets were not open to a bank our size. As a single location bank with accumulated net losses, we were unable to raise a meaningful amount of new capital on our own even with the use of investment bankers. Without new capital, our lending would have been at a standstill.

What actions were you able to take that you may not have taken without the capital infusion of CPP funds?

The receipt of TARP funds allowed the Bank to continue to grow. Deposit growth was very strong during 2009 with total deposits increasing 38% from \$80.2 million to \$110.8 million. This deposit growth was organic and it allowed us to lower non-core funding sources including traditional brokered deposits and borrowings. These moves ultimately lowered the Bank's liquidity risk profile.

Please describe any other actions that you were able to undertake with the capital infusion of CPP funds.

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